

REQUIRED VS. GOOD FAITH OUTCOMES OF LOCAL WORKER PARTICIPATION PROGRAMS

**FINAL REPORT TO
SUPERVISOR MARK RIDLEY-THOMAS
LOS ANGELES COUNTY BOARD OF
SUPERVISORS**

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INTRODUCTION

This technical memo analyzes the rates of local worker hiring for Los Angeles County construction projects where local hiring is “required” versus projects that hire in “good faith.” As a public policy, “[t]he County of Los Angeles established Local Worker Hiring Programs ... to increase local participation in the construction of hospital projects as a strategic effort to retain and create jobs in its most economically challenged communities.”ⁱ

This analysis examines a total of seven construction projects - four projects that “required” local hiring and three projects that pledged a “good faith” local hiring effort. While the definitions and criteria for local hiring vary across the projects, and have the potential to confound the analysis, the empirical results strongly indicate that required local hiring produces a noticeably higher rate of employment of local workers.

COMPARISON OF THE DEFINITION OF LOCAL HIRING

The seven local worker hiring projects under study are listed in the table below. According to the website, two of the projects are listed as completed, as of April 10, 2014. One is a “required” project, and the other is a “good faith” project. All four “required” projects give primary preference to workers who reside within a five-mile radius of the construction project (an area known as the “Primary Preference Area”). The other two use a 15-mile radius. Expanding the radius from five to 15 miles can significantly change the characteristics of the labor supply, potentially reducing the opportunities for disadvantaged workers. (See Appendix B). Four “required” projects and one “good faith” project give secondary preference to workers from high unemployment areas, and these workers are considered local hires. These areas are comprised of zip-code areas with at least 150% of the County's unemployment rate (UR), which are denoted as “Secondary Preference Area.”

It should be noted that two “required” projects utilize a local hiring rule that requires that disadvantaged local workers perform at least 10% of the total construction labor hours (where 10% of the disadvantaged worker hours can be part of the 30% local worker requirement).

Los Angeles County Local Worker Hiring Construction Program Project Characteristics					
	Type	Status	Distance	150% + UR	Goal
MLK-Inpatient Tower Project	Required	Active	5 miles	Yes	30%
MLK-Multi-Service	Required	Active	5 miles	Yes	30%
Harbor-UCLA Medical Center	Good Faith	Active	15 miles	No	30%
High Desert-Multi-Service	Good Faith	Active	5 miles	Yes	30%
Hubert H. Humphrey	Required	Active	5 miles	Yes	30%
East Rancho Dominguez	Required	Completed	5 miles	Yes	30%
MLK-Center-Public-Health	Good Faith	Completed	15 miles	No	40%

Because of the variation in the definitions and criteria for local hiring, it is difficult to directly compare “required” and “good faith” projects. One overlap is the amount of employment within a five-mile radius, which is reported for all projects regardless of how local hiring is implemented. The other elements are linked to projects that include the five-15 mile radius ring but not the high UR areas, and to projects that only use the five-mile radius and include the high UR areas. Comparisons of the outcomes for these two areas should be viewed with caution, but it is plausible that restricting to a five-mile radius and targeting high UR areas is more likely to benefit disadvantaged workers and/or disadvantaged neighborhoods.

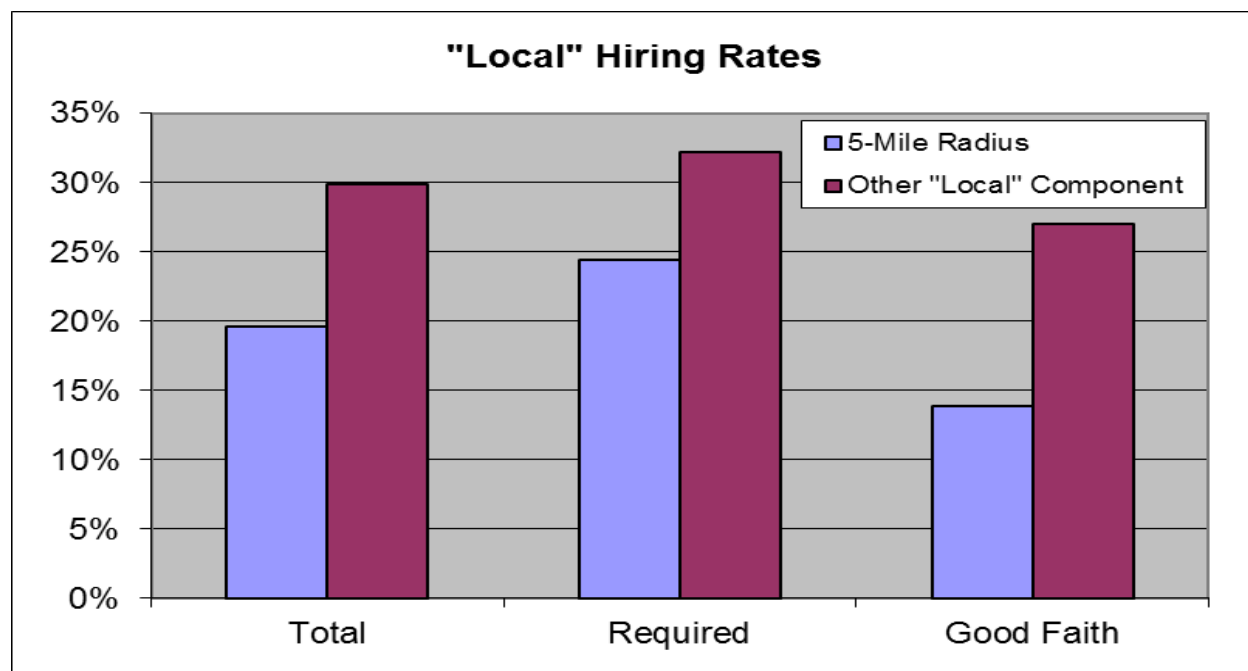
COMPARISON OF LOCAL HIRING RATES

While all seven construction projects met their local worker hiring goal, there are important differences in levels of attainment. The figure below summarizes the aggregated data for all “required” projects and the aggregated data for all “good faith” projects. For the purposes of this analysis, we define the local hiring rate as the proportion of craft hours going to local workers. (See Appendix A for discussion of data sources.)

The light-blue bars report the proportion for workers within a five-mile radius of each construction project. For all seven projects, 19.6% of craft hours went to workers who live nearby, within the five-mile radius. When disaggregated, 24.4% of craft hours went to nearby workers in “required” projects, compared to only 13.8% in “good faith” projects, a difference of more than ten percentage points.

The red bars denote the proportion for the additional five-15 mile radius ring or the 150%+ UR areas (depending on the local worker hiring project’s other

criteria). The local hiring rate in “required” projects is about five percentage points higher than “good faith” projects (32.2% and 27.0% respectively).



CONCLUSION

The above analysis is based on the public information available to the consultants on April 10, 2014, and more detailed data and sophisticated methods could enhance the analysis. But these are beyond the scope of the requested work.

Despite the limitations of the data, the findings reveal that “required” projects result in a higher overall local labor participation rate than the overall rate for “good faith” projects. It is our opinion that the most effective strategy (that is, the one that produces the largest difference or gain in meeting the policy goals) is a “required program” that uses a five-mile radius rule when a project is within, or adjacent to, a disadvantaged area. When a project is not located near a disadvantaged area, the 150%+ UR rule could be useful in increasing opportunities to disadvantaged workers.

We do find that “good faith” programs met their goals, but we are without the data to determine what would happen in the absence of any local worker program.

Lastly, because of the lack of readily available data, we are not able to examine the 10% disadvantage worker criterion. On a conceptual level, however, this is the most direct way to target workers in greatest need.

APPENDIX A: SOURCES

The hiring data came from a series of PDF files downloaded on April 10th, 2014 from "County of Los Angeles, Local Worker and Small Business Participation Programs," <http://dpw.lacounty.gov/pmd/localworker/>. For completed projects, we used the final report. For active projects (those not listed as being completed), we used the most recent report and the cumulative hours.

The reports contain statistics on craft hours, which are broken down into various categories. Some reports use classifications that include "Primary Preference Area" to denote the five-mile radius around the construction project and "Secondary Preference Area" to denote the high unemployment areas outside the "Primary Preference Area." The other reports count the craft hours worked by distance from the project site: 0-5 miles, 5-15 miles, and greater than 15 miles.

There is no information on craft hours worked by disadvantaged workers (i.e., a disadvantaged worker is person living in poverty, without a high school diploma or GED, with a history of incarceration, suffering from protracted unemployment, currently receiving social services benefits, homeless, or who is a single custodial parent).

We also consulted the following sources:

Hensel Phelps Construction Company. Martin Luther King, Jr. Medical Center Inpatient Tower Renovation Employment Opportunity
<http://hp-mlk.org/employment-opportunity/>

Hensel Phelps Construction Company. Martin Luther King, Jr. Medical Center Replacement Project. Local Worker Hiring Program. (List of Primary and Secondary Residency Preference Areas by Zip Code.)
http://hp-mlk.org/wp-content/uploads/2011/02/MLK_Local_Worker_Program_Fact_SheetHP.pdf

Supervisor Mark Ridley-Thomas. Hiring Local Workers for Local Projects, Frequently Asked Questions, July 2011.
<http://ridley-thomas.lacounty.gov/Health/wp-content/uploads/2011/07/FAQ-7.7.11v2.pdf>

APPENDIX B: PROFILE OF LOCAL WORKERS AROUND MLK

The table below provides an example of how expanding the definition of the local area can affect the characteristics of the labor supply (all workers). Columns 2 and 3 report the profile for those within five miles of the Martin Luther King, Jr. health facilities (MLK), and columns 4 and 5, report the profile for those in the five-15 mile circle. (See map on following page.)

There are about 4.7 times more workers in the five-15 mile ring than in the inner five-mile radius. Those in the inner, first preference, circle are more likely to be younger, earn less, more concentrated in construction and manufacturing, much more likely to be Black or Hispanic, and less educated. In other words, the inner-circle is more likely to contain a higher proportion of disadvantaged workers.

Profile of Employed Residents, 2011	5- Mile Radius		5-15 Mile Ring	
	Count	% Share	Count	% Share
Total Workers	381,015	100.0%	1,793,348	100.0%
Worker Age				
Age 29 or younger	100,308	26.3%	414,103	23.1%
Age 30 to 54	216,207	56.7%	1,040,309	58.0%
Age 55 or older	64,500	16.9%	338,936	18.9%
Worker Earnings				
\$1,250 per month or less	84,982	22.3%	366,459	20.4%
\$1,251 to \$3,333 per month	185,545	48.7%	652,449	36.4%
More than \$3,333 per month	110,488	29.0%	774,440	43.2%
Workers in Construction and Manufacturing				
Construction	11,724	3.1%	47,015	2.6%
Manufacturing	50,686	13.3%	164,184	9.2%
Minority Workers				
Black or African American Alone	88,587	23.3%	157,881	8.8%
Hispanic or Latino	220,245	57.8%	665,207	37.1%
Worker Educational Attainment				
Less than high school	85,090	22.3%	268,702	15.0%
High school or equivalent, no college	62,227	16.3%	260,384	14.5%
Some college or Associate degree	79,963	21.0%	402,564	22.4%
Bachelor's degree or advanced degree	53,427	14.0%	447,595	25.0%
Not available (workers aged 29 or younger)	100,308	26.3%	414,103	23.1%
Worker Sex				
Male	193,176	50.7%	911,356	50.8%
Female	187,839	49.3%	881,992	49.2%

Source: U.S. Bureau of the Census, LEHD, <http://onthemap.ces.census.gov/>

Based on all primary job holders by place of residents

ⁱ Local Worker and Small Business Participation Programs.

